

STATE OF ILLINOIS
BEFORE THE ILLINOIS PUBLIC SERVICE COMMISSION

Docket No. 03-

DIRECT TESTIMONY OF
MICHAEL D. SILVER
ON BEHALF OF
SBC ILLINOIS
SBC Illinois Exhibit 3.0

December 23, 2002

1 **I. INTRODUCTION**

2
3 **Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

4 A. My name is Michael D. Silver. My business address is 350 N. Orleans, Chicago,
5 IL 60654.

6
7 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION.**

8 A. I received my B.A. in 1976, and M.A. degree in Economics from Eastern Illinois
9 University in 1977.

10 **Q. WHO IS YOUR CURRENT EMPLOYER AND IN WHAT POSITION ARE YOU**
11 **EMPLOYED?**

12 A. I am employed by SBC Ameritech as Associate Director – Regulatory Support.

13
14 **Q. PLEASE BRIEFLY SUMMARIZE YOUR WORK EXPERIENCE.**

15 A. I was employed by Centel Corporation from 1979 through 1985. While there I
16 had various regulatory responsibilities, including revenue requirements,
17 separations, and capital recovery. In January 1986, I moved to NYNEX Service
18 Company, where I was responsible for federal access issues. While there I
19 represented NYNEX on an industry team charged with revising FCC rules and
20 regulations related to separations and access. In March, 1987, I joined
21 Ameritech. Since joining Ameritech, my responsibilities have included
22 coordination and filing of federal access filings; service cost development; acting
23 as a primary interface between Ameritech and other local exchange carriers in

the Ameritech region; and supporting access reform as it applies to the five intrastate jurisdictions in Ameritech's region. In January 2000, I was named Product Manager for Feature Group D Access services for the 13-state SBC region. I moved into my current role in April 2000.

Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?

A. I am responsible for supporting the policies of SBC Ameritech's Local Wholesale Marketing organization.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY AGENCIES?

A. Yes I have. Schedule MDS-1 identifies regulatory proceedings in which I have provided testimony.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony summarizes and provides support for the revisions to unbundled network element ("UNE") rates being proposed by SBC Illinois in this proceeding.

Q. WHAT RATE ELEMENTS IS SBC PROPOSING TO CHANGE IN THIS PROCEEDING?

A. SBC Illinois is proposing changes in the monthly recurring charges for UNE loops, including analog basic loops and DS1 loops. SBC Illinois is also proposing

new rates for DS3 loops. The rates being proposed are applicable to UNE loops when provided on a stand-alone basis as well as when they are provided as part of an unbundled network elements platform ("UNE-P"). Ameritech Illinois is also proposing changes to non-recurring charges ("NRCs") (both service order charges and non-recurring provisioning charges), applicable to orders for stand-alone loops, existing and new UNE-P, new enhanced extended links ("EELs"), and conversions of special access services ("SA") to existing UNE loop/dedicated transport combinations ("SA to UNE Conversions").

Q. DO YOU HAVE SCHEDULES IDENTIFYING THE RATE ELEMENTS WHICH ARE THE SUBJECT OF THIS FILING?

A. Yes, I do. Schedule MDS-2 identifies the proposed UNE loop recurring charges. Schedule MDS-3 identifies the proposed UNE loop NRCs. Schedule MDS-4 identifies the proposed UNE-P NRCs. Schedule MDS-5 identifies the NRCs applicable to orders for new EEL combinations. Schedule MDS-6 identifies the proposed NRCs for Special Access to UNE Conversions. Each of these schedules identifies (i) the specific rate element; (ii) a cross-reference to the applicable tariff sheet; (iii) the direct TELRIC cost for that element determined on the basis of the cost of service studies being presented in this case; (iv) the shared and common factor; and (v) the proposed rate, derived by applying the shared and common factor to the direct TELRIC cost.

Q. WHAT IS THE BASIS FOR THE DEVELOPMENT OF THE RATES SHOWN ON SCHEDULE MDS-2 THROUGH MDS-5?

70 A. Each of the proposed rates was developed by first determining the direct cost
71 associated with the rate element, as determined on the basis of a cost study
72 using the economic long run incremental cost ("TELRIC") methodology. Each
73 TELRIC cost was then increased by a factor to reflect recovery of shared and
74 common costs. The TELRIC cost study for UNE loop recurring rates is
75 sponsored and supported by Mr. Smallwood. The TELRIC cost study for non-
76 recurring service order charges is sponsored and supported by Dr. Currie. The
77 TELRIC cost studies for the NRCs applicable to the provisioning of stand-alone
78 and UNE-P loops, new EELs and SA to UNE Conversions are sponsored and
79 supported by Mr. Cass. Mr. Barch sponsors and supports a TELRIC cost study
80 for the port connection NRC applicable to new UNE-P combinations. Mr. Barch
81 also sponsors the shared and common cost study and supports the shared and
82 common cost factor.

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89 **III. NON-RECURRING CHARGES**

90 **A. Non-recurring Charges for Stand-alone UNE loops**

91 **Q. PLEASE DESCRIBE THE PROPOSED NON-RECURRING CHARGES**
92 **APPLICABLE TO ORDERS FOR STAND-ALONE UNE LOOPS.**

93 A. The NRCs vary by type of loop. For analog and 2-wire digital loops, three types
94 of service order charges may apply; one for the initial order, one each for any
95 subsequent orders for work on that unbundled loop, and one for any record work
96 changes. For each termination of an unbundled analog loop, a line connection
97 charge also applies. If the CLEC requests any loop conditioning, charges would
98 also apply for loops greater than 12,000 feet in length. If a CLEC orders a DS1 or
99 DS3 loop, the CLEC will be charged an Administrative Charge, as well as a
100 Service Provisioning charge.

101
102 **Q. IS THE COMPANY PROPOSING A CHANGE IN RATE STRUCTURE FOR**
103 **SERVICE ORDER NRCS ASSOCIATED WITH UNBUNDLED LOOPS?**

104 A. Yes. The current nonrecurring rate structure for DS0 and DS1 unbundled loop
105 service order charges includes an administrative charge, a design and central
106 office charge, and a carrier connection charge. Under the new structure, the
107 reference to unbundled DS0 loop NRCs is being removed from the tariff, and
108 recurring and non-recurring DS3 rates are being proposed. For unbundled DS1
109 loops, the administrative charge will remain, and it will also apply to the
110 unbundled DS3 loops. To simplify the non-recurring rate structure, however, the
111 design and central office charge and the carrier connection charge will be
112 eliminated, and replaced with a single provisioning charge designed to recover
113 the costs of the various workgroups involved in the provisioning of both
114 unbundled DS1 and DS3 loops

115 **Q. WHY IS SBC ILLINOIS PROPOSING TO REMOVE THE UNBUNDLED DS0**
116 **NRC CHARGES?**

117 A. The only unbundled DS0 offering SBC Illinois has ever had was for circuits with a
118 capacity of 64 kps. That DS0 offering was eliminated in 1999 due to insufficient
119 demand¹. Accordingly, since there is no tariff offering for the rate to apply to, the
120 tariff's reference to NRCs for DS0 should be removed..

122 **Q. WHAT CHANGES IN THE NON-RECURRING RATES FOR STAND ALONE**
123 **UNE LOOP ORDERS IS THE COMPANY PROPOSING TO MAKE IN THIS**
124 **FILING ?**

125 A. SBC Illinois is proposing adjustments to the level of each rate element based on
126 the results of the TELRIC costs studies being presented in this case. The
127 proposed NRCs are listed on Schedule MDS-3. The proposed service order
128 charges are supported by the cost study sponsored by Dr. Currie. The proposed
129 line connection charges are supported by the cost study sponsored by Mr. Cass.
130 As I will discuss in more detail below, the line connection charges proposed for
131 analog and 2-wire digital stand-alone loops and service provisioning charges for
132 DS1 stand alone loops are identical to the line connection and service
133 provisioning charges that the Company is proposing in this case for new analog
134 and 2-wire digital, and DS1 UNE-P combinations, respectively.

135 **Q. WHAT LOOP TYPES ARE INCLUDED IN ANALOG AND 2-WIRE DIGITAL**
136 **LOOP FOR PURPOSES OF THE APPLICATION OF LINE CONNECTION**
137 **CHARGES?**

¹ Ameritech Illinois Advice 7210

138 A. When SBC Illinois refers to Analog and 2-wire digital loops; the following loop
139 types are included:

- 140 • 2-wire Analog Basic
- 141 • 2-wire Analog PBX Ground Start
- 142 • 2-wire Analog COPTS Coin
- 143 • 2-wire Analog EKL
- 144 • 4-wire Analog
- 145 • 2-wire Digital ISDN-BRI
- 146 • 2-wire xDSL
- 147 • IDSL

148 **Q. WHAT LOOP TYPES ARE CONSIDERED DS1 FOR PURPOSES OF THE**
149 **APPLICATION OF SERVICE PROVISIONING CHARGES?**

150 A. The DS1 Service Provisioning charge applies to 4-wire 1.544 mbps loops and to
151 4-wire HDSL compatible loops.

152 **Q. IS SBC ILLINOIS PROPOSING A SINGLE DS3 SERVICE PROVISIONING**
153 **CHARGE FOR STAND-ALONE DS3 LOOPS AND DS3 UNE-P**
154 **COMBINATIONS?**

155 A. No. SBC Illinois has not identified any ordinarily combined UNE-P combinations
156 involving DS3 loops. There is a specific DS3 service provisioning charge for
157 stand-alone DS3 loops, but no costs have been identified for UNE-P
158 combinations involving DS3 loops. If a CLEC were to desire such a combination,
159 they may request it using the BFR process, or BFR-OC process if they believe
160 such a combination is ordinarily combined.

161

162 **B. Non-Recurring Charges For UNE-P Combinations**

163 **Q. WHAT IS THE CURRENT APPLICATION OF NRCS WHEN A CLEC ORDERS**
164 **UNE COMBINATIONS?**

A. There are different rate structures depending on the specific UNE combination being ordered and whether the combination is considered existing or new. The types of UNE combinations that SBC Illinois is addressing in this case are UNE Platform ("UNE-P"), Special Access to UNE Combination Conversions, and new EELs.

Q. PLEASE DESCRIBE THE UNE-P AND ITS CURRENT NRC RATE STRUCTURE.

A. The UNE-P is a combination of an unbundled loop with Unbundled Local Switching with Shared Transport ("ULS-ST"). In the case of an existing UNE-P, (i.e., when the unbundled loop and ULS-ST elements that comprise the combination are currently physically combined), two possible NRC scenarios apply. The first scenario is referred to as a Migration. A Migration occurs when a telecommunications carrier seeks to convert a Company end-user customer, another telecommunications carrier's pre-existing UNE-P end-user customer, or a telecommunications carrier's resale end-user customer to an existing UNE-P. The second scenario is referred to as a Currently Combined Installation, which occurs when the unbundled loop and ULS-ST are currently physically combined, but there is no working service present (i.e., no dialtone). In both scenarios, the CLEC is currently charged one NRC, that being a "Record Work Only" charge. This is the charge that the Commission approved for applicability to UNE-P migrations in its Order in Docket 98-0396. These rates or rate application as appropriate are described in detail in ICC Tariff No. 20, Part 19, Section 15.

188

189 **Q. PLEASE DESCRIBE NEW UNE-P?**

190 A. New UNE-P refers to the situation in which SBC Illinois must provision and physically
191 combine both the unbundled loop and ULS-ST switch port for the CLEC in its network.

192 **Q. WHAT NRCS APPLY TO NEW UNE-P IN SBC ILLINOIS ILLINOIS'**
193 **CURRENTLY EFFECTIVE TARIFF?**

194 A. The currently applicable service ordering NRCs, vary depending on whether the
195 UNE-P port is basic or complex. If the port is basic, the "Record Work Only"
196 charge applies. For complex ports (including trunk ports), the respective port
197 order charge is substituted for the Record Work Only charge. There is also a
198 loop provisioning NRC applicable to the new UNE-P. For DS-1 loops, two
199 connection NRCs apply; the Design and C.O. Connection charge and the Carrier
200 Connection charge. For 2-wire loops, the line connection NRC applies. In
201 addition to the Order, or Record Work only charges, and the connection charges,
202 charges for Feature translations, custom routing, Centrex System, and ULS
203 Billing establishment NRCs may also apply. The rate applications for each of the
204 12 different new UNE-Ps offered are described in ICC Tariff No. 20, Part 19,
205 Section 15.

206 **Q. IS SBC ILLINOIS PROPOSING ANY CHANGES TO THE STRUCTURE OF**
207 **NON-RECURRING CHARGES FOR UNE-P COMBINATIONS ?**

208 A. Yes. SBC Illinois is proposing to replace the "Record Work Only" charge that is
209 currently applicable to orders for both existing and new UNE-P combinations with
210 appropriate Service Order charges. SBC Illinois is proposing to differentiate the

Service Order charges for POTS² and non-POTS³ UNE-Ps, based on the manner in which the order is placed, i.e., manual or electronic. These Service Order charges will apply to both new UNE-P and UNE-P migrations. These proposed Service Order Charges for UNE-P combinations are shown on page 1 of Schedule MDS-4.

Q. WHY IS SBC ILLINOIS PROPOSING TO REPLACE THE “RECORD ONLY WORK” CHARGE, CURRENTLY APPLICABLE TO UNE-P COMBINATIONS, WITH SERVICE ORDER CHARGES?

A. As the name implies, a “Record Work Only” charge is intended to recover only the cost associated with changing information on an existing customer’s billing records. As discussed by Dr. Currie, however, the work needed to process an order for a UNE-P migration includes a number of activities in addition to changing records. For UNE-P migrations, therefore, SBC Illinois proposes to substitute, for the Record Work Only charge, a Service Order charge that properly reflects the forward looking costs associated with all of the work necessary to fill a UNE-P migration order.

Q. WILL SBC ILLINOIS AMERITECH ILLINOIS CONTINUE TO HAVE A “RECORD WORK ONLY” CHARGE?

A. Yes. As the Company’s tariff states on ICC No. 20, Part 19, Section 3, Sheet 38.1, the Record Work Only charge applies, and will continue to apply, “for

² POTS UNE-P ports include Basic Port, Basic COPTS Port, and COPTS Coin Line Port

233 telecommunications carrier initiated requests for changes and/or additions to
234 records only". This is discussed by Dr. Currie's testimony. The Company is
235 proposing a change in the level of that charge based on the cost study
236 sponsored by Dr. Currie.

237

238 **Q. WHY IS SBC ILLINOIS PROPOSING DIFFERENT SERVICE ORDER**
239 **CHARGES BASED ON THE METHOD OF ORDERING?**

240 A. As discussed in Dr. Currie's direct testimony, SBC Illinois' service order costs
241 vary depending on whether the UNE-P is handled electronically or manually.
242 Thus, SBC Illinois believes differentiating the manner in which the activity is
243 handled results in more accurate and cost-causative pricing.

244 **Q. IS THE COMPANY PROPOSING DIFFERENT SERVICE ORDER CHARGES**
245 **BASED ON WHETHER THE ORDER IS FOR AN EXISTING OR NEW UNE-P?**

246 A. No. Under the Company's proposal, the service order charges do not vary
247 depending on whether the order is for an existing UNE-P combination (either a
248 migration or of a currently combined installation without dial tone) or a new UNE-
249 P combination.

250

251 **Q. ARE THE COSTS FOR FILLING ORDERS FOR EXISTING UNE-P**
252 **COMBINATIONS IDENTICAL TO THE COSTS FOR FILLING ORDERS FOR**
253 **NEW UNE-P COMBINATIONS?**

Footnote continued from previous page ...

³ Non-POTS UNE-P ports are all ports other than POTS ports

254 A. No. Dr. Currie performed separate studies of the costs associated with filling
255 orders for existing UNE-P combinations and new UNE-P combinations. As Dr.
256 Curry discusses in his testimony, those studies indicate that the costs are not
257 identical.

258

259 **Q. IF THE COSTS FOR ORDERING EXISTING UNE-P COMBINATIONS ARE**
260 **NOT IDENTICAL TO THE COSTS FOR ORDERING NEW UNE-P**
261 **COMBINATIONS, WHY IS SBC ILLINOIS PROPOSING TO CHARGE THE**
262 **SAME SERVICE ORDER CHARGE REGARDLESS OF WHETHER IT IS A**
263 **NEW OR EXISTING UNE-P COMBINATION?**

264 A. Although the costs may vary between UNE-P migration service orders and new
265 UNE-P service orders, as noted in Schedule MDS-7 the difference in costs is
266 minimal. SBC Illinois is proposing to apply UNE-P service order charges in the
267 same manner as it does for all other UNEs. The service order charge for UNE
268 loops is the same regardless of whether the UNE loop is new or a migration, and
269 the same holds true for stand-alone Unbundled Loops. There is no reason for
270 SBC Illinois to treat the ordering charges for UNE-P any differently.

271 **Q. WHY IS IT APPROPRIATE TO DIFFERENTIATE SERVICE ORDER RATES**
272 **FOR ELECTRONIC VS. MANUAL SERVICE ORDERS, YET NOT**
273 **DIFFERENTIATE BETWEEN UNE-P MIGRATIONS VS. NEW UNE-P FOR**
274 **SERVICE ORDERS?**

275 A. As noted above, there is a minimal difference in cost between a UNE-P migration
276 service order and a new UNE-P service order. That is clearly not the case when
277 comparing the cost of electronic UNE-P service orders to manual UNE-P service
278 orders. For example, when reviewing Schedule MDS-7, the TELRIC for POTS
279 electronic service order for UNE-P migrations is significantly less than the

TELRIC for POTS manual service order for UNE-P. Looking at the TELRIC for POTS electronic service order for UNE-P migrations compared to the TELRIC for POTS electronic service order for new UNE-P, it is clear that the variance is much smaller and would not justify the additional cost that would be incurred to implement changes in the billing systems necessary to administer separate service order charges.

Q. WHY IS THERE SUCH A DISPARITY IN COST FOR ELECTRONIC VS. MANUAL ORDERING, YET NOT FOR UNE-P MIGRATIONS VS. NEW UNE-P?

A. As discussed by Dr. Currie, when a UNE-P order is submitted manually, there is minimal flow-through. When an order is submitted electronically, there is significant flow-through. There is minimal variance of flow-through between new-UNE-P and UNE-P migrations.

Q. HOW WERE THE SERVICE ORDER CHARGES CALCULATED?

A. TELRIC costs for each of the four types of service orders, (manual POTS, electronic POTS, manual non-POTS, and electronic non-POTS), were developed by Dr. Currie for both existing UNE-P and new UNE-P combinations. The resulting costs are shown on Schedule. MDS-7. As shown on that schedule, the proposed rates were developed based on a weighted average of the costs associated with existing UNE-P combinations and the costs associated with new UNE-P combination orders. The weighted average reflects the relative percentages of orders for new and existing UNE-P combinations for the period from September 2001 through July 2002.

303

304 **Q. IS SBC ILLINOIS PROPOSING ANY CHANGES IN THE NONRECURRING**
305 **PROVISIONING CHARGES FOR NEW UNE-P?**

306 A. Yes. Ameritech Illinois is proposing increases in the line connection charges⁴ that
307 currently apply to a new UNE-P. The line connection charge is intended to
308 recover the forward-looking costs of provisioning the unbundled loop as part of a
309 new UNE-P combination. . The proposed new UNE-P line connection charges
310 for analog and 2 wire digital loops, and service provisioning charges for DS1
311 loops, (see, ICC Tariff No. 20, Part 19, Section 15, Sheet 11.1), are supported by
312 the TELRIC cost study sponsored by Mr. Cass.

313 The Company is also proposing to establish port connection charges designed to
314 recover the forward-looking costs of provisioning the ULS-ST port as part of a
315 new UNE-P combination. Pursuant to the Order on Reopening in Docket 98-
316 0396, the existing port connection charge applicable to new UNE-P combinations
317 was set at zero on an interim basis pending a review of a cost study supporting
318 non-recurring charges for UNE-P combinations. The port connection charges
319 proposed in this case vary by port type (see, ICC Tariff No. 20, Part 19, Section
320 15, Sheet 11.1), and are supported by a TELRIC cost study sponsored by Mr.
321 Barch. As discussed by Mr. Barch, the nonrecurring cost for the port identified in
322 the UNE-P Combination study excludes the costs associated with placing a
323 cross-connect because that cost is reflected in the costs supporting the line

⁴ As indicated above, the line connection charge applies to analog loops. The provisioning charge for unbundled DS1 and DS3 loops is a new charge that replaces the design and central office charge and carrier connection charge currently applicable to unbundled DS1 loops.

324 connection charge. Thus, the nonrecurring port connection charges proposed for
325 the UNE-P combinations are significantly lower than the port connection charges
326 applicable to ports purchased on a stand-alone basis, the cost of which includes
327 the costs associated with cross-connecting the port to the customer's collocation
328 space.

329 **Q. HAS THE COMPANY PERFORMED SEPARATE STUDIES OF THE COSTS**
330 **ASSOCIATED WITH PROVISIONING A STAND-ALONE LOOP AND THE**
331 **COSTS ASSOCIATED WITH PROVISIONING A UNE LOOP AS PART OF A**
332 **NEW UNE-P COMBINATION?**

333 A. Yes. Those cost studies are sponsored and discussed by Mr. Cass.

334 **Q. DO THE NONRECURRING LINE CONNECTION CHARGES PROPOSED BY**
335 **THE COMPANY FOR NEW UNE-P COMBINATIONS DIFFER FROM THE**
336 **NONRECURRING LINE CONNECTION CHARGES PROPOSED FOR STAND-**
337 **ALONE UNE LOOPS?**

338 A. No, SBC Illinois is proposing to charge the same line connection NRCs whether
339 the loop is being requested as a stand-alone unbundled loop, or as a component
340 of UNE-P.

341

342 **Q. WHAT IS THE BASIS FOR HAVING THE SAME ANALOG LINE**
343 **CONNECTION NRCS FOR BOTH STAND-ALONE UNBUNDLED LOOPS AND**
344 **LOOPS ASSOCIATED WITH UNE-P?**

345 A. Although the underlying line connection costs vary between analog stand-alone
346 loops and analog UNE-P loops, SBC Illinois has weighted those two costs into
347 one cost for line connections, as discussed by Mr. Cass. SBC Illinois has chosen
348 to do this because in both instances the same type of loop is being used, and the
349 work groups involved in provisioning that particular loop are the same. The

charge represents the activity of putting an unbundled loop into service, and the proposed rates represent the average cost of this provisioning for all non-designed loops.

In addition to the fact that the same work groups are involved in provisioning both stand-alone unbundled loops and new UNE-P loops, SBC Illinois' and billing provisioning systems are not set up to differentiate between the two.

Q. HOW WAS THE NONRECURRING LINE CONNECTION COSTS IDENTIFIED IN MR. CASS' STUDIES WEIGHTED TO DEVELOP A SINGLE CHARGE FOR BOTH STAND-ALONE AND NEW UNE-P LOOPS?

A. The charge is developed based on a weighted average of costs for the stand-alone loops and the new UNE-P loops. These costs and the calculation of the weighted average are shown on Tab 6.1 of the Schedule CFC-1 Confidential, in the non-recurring loop cost study sponsored by Mr. Cass. As indicated, it is assumed that 55.2% of the loops requested by CLECs will be stand-alone and 44.8% of the loops will be as part of new UNE-P.

Q. PLEASE EXPLAIN THE BASIS FOR THE PERCENTAGES USED TO DEVELOP THE WEIGHTED AVERAGE LINE CONNECTION COSTS.

A. The percentages used to weight the costs of stand alone loop analog line connections and the new UNE-P line connections are based on a review of the volumes of both categories of loops ordered by CLECs in Illinois for the period of April through November 2002. These percentages are representative of the relationship of new UNE-P loops to new stand-alone UNE loops on a going forward basis. Requests for new stand-alone UNE loops have remained steady, and there is no reason to anticipate new UNE-P loops to accelerate in growth

relative to orders for stand-alone loops. Although UNE-P is growing significantly, the vast majority of UNE-P orders are for migrations, not for new UNE-Ps. Orders for new UNE-P, i.e., an unbundled loop and ULS-ST combination that is not already connected, primarily involve instances in which a CLEC is requesting a new second line that is not already connected through.

Q. HAVE YOU PERFORMED A CALCULATION OF THE LINE CONNECTION CHARGES THAT ARE SUPPORTED BY MR. CASS' COST STUDIES IN THE EVENT THAT THE COMMISSION DECIDES THAT SEPARATE COST-BASED LINE CONNECTION CHARGES SHOULD BE ADOPTED FOR STAND-ALONE LOOPS AND NEW UNE-P LOOPS?

A. Yes. In the event that the Commission rejects the Company's proposal to adopt a single weighted average cost line connection charge applicable to both stand-alone and new UNE-P loops, the Commission should approve the line connection charges set forth in Schedule MDS-8. Those charges are calculated by applying the shared and common cost factor developed by Mr. Barch to the non-recurring line connection costs summarized on Tab 6.1 of Mr. Cass' Schedule CFC-1 Confidential .

Q. WHAT IS THE RATIONALE FOR USING THE SAME SERVICE PROVISIONING COST FOR BOTH STAND-ALONE UNBUNDLED DS1 LOOPS AND NEW DS1 UNE-P?

A. As explained by Mr. Cass, there is no difference in the costs for stand-alone DS1 loops and new DS1 UNE-P loops. Accordingly, the rate for provisioning a DS1 stand-alone loop is the same as for provisioning a DS1 UNE-P loop.

399 **Q. IS SBC ILLINOIS PROPOSING THE SAME LOOP CONNECTION NRCS FOR**
400 **EELS AS FOR STAND-ALONE LOOPS AND NEW UNE-P LOOPS?**

401 A. No. As compared to stand-alone or new UNE-P analog and 2-wire digital loops,
402 the analog and 2-wire digital loops associated with EELs are designed circuits,
403 which means that the provisioning of such loops requires the performance of
404 activities by work groups which are different than the activities and work groups
405 involved in the provisioning of stand-alone and new UNE-P loops. The difference
406 between designed and non-designed circuits is discussed in the direct testimony
407 of Ms. Vivian Gomez-McKeon.

408 **Q. PLEASE SUMMARIZE THE APPLICATION OF THE NON-RECURRING**
409 **CONNECTION CHARGES ASSOCIATED WITH THE UNE-P.**

410 A. For UNE-P combinations that are physically combined (both migrations and
411 currently combined installations), the service order charge described above will
412 apply. This will be the only NRC assessed by SBC Illinois and will be based on
413 the manner (electronic vs. manual) in which the UNE-P is ordered. For new UNE-
414 P combinations that are not currently combined, SBC Illinois will assess one
415 service order charge as described above (based on the manner in which the
416 combination is ordered), one loop connection (for analog loops) or service
417 provisioning (for DS1 loops) charge for the provisioning of the loop, and one
418 UNE-P port connection charge. The stand-alone port connection charge will not
419 apply to ports associated with the newly combined UNE-P.

420

421 **Q. WHY IS IT NECESSARY TO ASSESS NRCS FOR BOTH SERVICE ORDER**
422 **CHARGES AND CONNECTION CHARGES WHEN PROVISIONING A NEW**
423 **UNE-P COMBINATION?**

424 A. Service order NRCs are designed to recover different costs than the NRCs
425 associated with connection charges. Connection charges, as described in the
426 direct testimony of Mr. Barch and Mr. Cass, are designed to recover the costs
427 associated with the physical activity associated with provisioning a service, while
428 service order charges, as described in the testimony of Dr. Currie, are designed
429 to recover the costs of handling and processing the order in SBC Illinois' Local
430 Service Centers.

431 **Q. ARE THERE ANY OTHER NRCS THAT WOULD APPLY TO NEW-UNE-P**
432 **COMBINATIONS?**

433 A. Yes, as is the case with UNE-P migrations, charges for Feature translations,
434 custom routing, Centrex System, and ULS Billing establishment NRCs may also
435 apply. The testimony and exhibits of Mr. Barch support the underlying costs for
436 the Feature translations, custom routing, Centrex System NRCs, and Dr. Currie's
437 testimony and exhibits support the proposed ULS Billing establishment NRC. The
438 rate applications for each of the 12 different new UNE-Ps offered are described
439 in SBC Illinois' proposed ICC Tariff No. 20, Part 19, Section 15.

440 **C. Nonrecurring Charges Applicable to Conversions of Special**
441 **Access Services to UNE Combinations.**
442

443 **Q. IS SBC ILLINOIS PROPOSING ANY CHANGES TO THE RATE STRUCTURE**
444 **APPLICABLE TO CONVERSIONS OF SPECIAL ACCESS SERVICES TO UNE**
445 **COMBINATIONS?**

446 A. Yes. Pursuant to the Order on Reopening, under the current tariff, if a CLEC
447 reconfigures a Special Access Circuit to an unbundled loop/unbundled transport
448 combination, the CLEC is charged a Record Work Only NRC, subject to true-up,
449 on an interim basis pending a review of a cost study. That rate application does

not fully recognize all of the activities SBC Illinois undertakes to effectuate this type of reconfiguration. Under the rate structure being proposed in this filing, SBC Illinois will be charging the following NRCs:

- Design and Coordination NRC
- Demarcation Re- Tag
- Project Administration

These changes are being made to accurately identify the specific work efforts necessary to complete the migration. The support for the costs underlying the Project Administration rate is discussed in Dr. Currie's testimony. The support for the costs underlying the Design and Coordination and the Demarcation Re-tag non-recurring rates is discussed in Mr. Cass' testimony.

Q. PLEASE DESCRIBE THE PROPOSED DESIGN AND COORDINATION, DEMARCATION RE-TAG, AND PROJECT ADMINISTRATION NON-RECURRING RATES.

A. As specified in the Company's tariff, Part 19, Section 20, Sheet 7, the Design and Coordination NRC applies to the handling of service order fallout and the related coordination time for the reconfiguration request. The tariff also indicates that the Demarcation Re-tag NRC is applicable to recover the costs of retagging the circuits at the end users premises, and the Project Administration NRC applies when a telecommunications carrier initiates a request for conversion of Special Access to combinations of unbundled loops and unbundled transport.

D. Nonrecurring Charges Applicable to New EELs

476 **Q. IS SBC ILLINOIS PROPOSING ANY CHANGES TO THE NRCS APPLICABLE**
477 **TO EELS?**

478 A. Yes. The current EEL tariff contains the following NRCs:

- 479 • Loop Service Order
- 480 • Line Connection
- 481 • Interoffice Transport or Entrance Facility Administration Charge
- 482 • Interoffice Transport or Entrance Facility Design and CO Charge
- 483 • Interoffice Transport or Entrance Facility Carrier Connection Charge
- 484 • Clear Channel Capability (where applicable)
- 485

486 As can be seen on my attached Exhibit MDS-7, SBC Illinois is proposing the
487 following NRCs for EELs in this proceeding:

- 488 • Transport Service Order
- 489 • Loop Service Order
- 490 • Central Office Multiplexing (DS1 to Voice) Service Order
- 491 • Loop Connection
- 492 • Dedicated Transport (Collocated and Non-collocated)
- 493 • Central Office Multiplexing (DS1 to Voice)
- 494 • Clear Channel Capability (where applicable)
- 495

496 If the requested EEL is non-channelized, i.e., the Loop and the transport are both
497 DS1; there is only one service Order (Non-Channelized Service order), and one
498 provisioning charge. There would not be separate service order and provisioning
499 charges for both the loop and the transport. The underlying costs, for both the
500 channelized and non-channelized rate elements, are supported by the direct
501 testimony and exhibits of Dr. Currie (service order charges) and Mr. Smallwood
502 (provisioning charges).

503 **Q. WHY IS SBC ILLINOIS PROPOSING THESE CHANGES TO EEL NRCS?**

504 A. The proposed rates structure is more reflective of how costs are incurred. SBC
505 Illinois is proposing to have a single service order and single provisioning charge

for non-channelized EELs to reflect that the fact that no multiplexing is required for those EELs. The other change in rate structure is to aggregate the Carrier Design and CO charge and the Carrier Connection charge into one provisioning charge. This is being proposed to simplify application of these charges.

Q. IS SBC ILLINOIS PROPOSING ANY OTHER CHANGES TO ITS RATE STRUCTURE FOR UNES?

A. No.

IV. RATE APPLICATION

Q. HOW WILL A CLEC KNOW WHAT IT WILL COST IT TO OBTAIN EITHER A UNE-P MIGRATION OR A NEW UNE-P?

A. SBC Illinois' proposed I.C.C. Tariff No. 20, Part 19, Section 15 ("Section 15") (See Schedule MDS-9) identifies all rate elements that would apply for UNE-P. Specifically Section 15, Sheet 9 displays the potential non-recurring charges that apply to a UNE-P migration. As indicated, a Service Order NRC will apply, as well as Add/Change Translation NRCs for port features associated with that UNE-P.

Section 15, Sheets 12 through 17 displays the NRCs that would generally apply to each of the UNE-P combinations specifically identified in SBC Illinois' tariff. In addition to those generally applicable NRCs, Section 15, Sheets 10 and 11 include other NRCs that may apply to new UNE-P requests. Schedule MDS-10 shows a comparison of what a CLEC would pay for UNE-P migrations or new

529 UNE-P requests under various scenarios for the currently effective tariff and the
530 tariff amendments being proposed in this proceeding.

531 **Q. HOW WILL A CLEC KNOW WHAT IT WOULD COST IT TO OBTAIN A NEW**
532 **EEL?**

533 A. SBC Illinois' I.C.C. Tariff No. 20, Part 19, Section 20 ("Section 20") (Schedule
534 MDS-11) identifies all rate elements that would apply for a new EEL. Sheets 4,
535 4.1, and 5 of Section 20 identify all the possible NRCs that may apply, and
536 Sheets 5.1 through 6.7 of Section 20 identify the NRCs that would apply for each
537 of the EELs specifically identified in SBC Illinois' tariff. Schedule MDS-12 shows
538 a comparison of what a CLEC would pay for new EEL requests under various
539 scenarios under the currently effective tariff and under the tariff amendments
540 being proposed in this proceeding.

541 **Q. HOW WOULD A CLEC KNOW WHAT IT WOULD COST IT TO CONVERT A**
542 **SPECIAL ACCESS CIRCUIT TO A COMBINATION OF AN UNBUNDLED**
543 **LOOP AND UDT?**

544 A. SBC Illinois' I.C.C. Tariff No. 20, Part 19, Section 20 ("Section 20") (See
545 Schedule MDS-11) also identifies all rate elements that would apply for the
546 conversion of Special Access circuits to a combination of an unbundled loop and
547 UDT. Sheets 7 and 8 of Section 20 identify all the potential NRCs that may apply
548 to such a conversion, and Sheets 8 through 10 of Section 20 identify the
549 application of those NRCs to specific conversion configurations.

550 **V. CONCLUSION**
551

552 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

553 A. I have discussed the fact that, given changes to the underlying inputs to the costs
554 of SBC Illinois' unbundled network elements, SBC Illinois has revised the
555 corresponding rates for those elements. My testimony and supporting exhibits
556 also present and support the new rates and rate structures being proposed by
557 SBC Illinois in this proceeding. These new rates are developed by applying a
558 shared and common factor to TELRIC costs.

559 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

560 A. Yes it does.

561

562

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